

California Gambling Control Commission



INDIAN GAMING SPECIAL DISTRIBUTION FUND
REPORTING AND NET WIN ACCOUNTING GUIDELINES
UNDER THE TRIBAL-STATE GAMING COMPACTS OF 1999

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**STATE OF CALIFORNIA
GAMBLING CONTROL COMMISSION
INDIAN GAMING SPECIAL DISTRIBUTION FUND
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1. INTRODUCTION

The State of California and sixty-one (61) California Indian Tribes entered into Tribal-State Gaming Compacts (Compact) in 1999. Section 5.0 provides that tribes that operated over 200 gaming devices on September 1, 1999 make quarterly contributions to the Indian Gaming Special Distribution Fund (IGSDF). The amount of quarterly contribution is calculated based on the total Net Win from all the gaming devices the Tribes operate in the quarter.

2. PURPOSE

This publication is intended to be a resource to provide information and assistance on the topic of accounting and reporting for Net Win for the purpose of calculating quarterly contributions to the IGSDF. Additional guidance on the Compact's contribution and reporting requirements is also discussed in this publication.

Contact the California Gambling Control Commission or consult the Commission's website (www.cgcc.ca.gov) to ensure that this is the most recent version of this publication.

3. COMPACT PROVISIONS

1999 Compacts

This publication only addresses accounting and reporting for Net Win under Compacts that were executed in 1999. With respect to the 1999 Compacts that have been amended in 2004, this publication is applicable to accounting for Net Win under the terms of the original 1999 Compacts in force until the 2004 Compact amendments became effective. For the 1999 Compacts, provisions related to the IGSDF contribution and reporting requirements can be found in Compact section 5.0.

Further, Compact section 2.15 defines "Net Win" to mean "net win" as defined by the American Institute of Certified Public Accountants (AICPA).

2003 Compacts

This publication does not address, and is not applicable to, accounting for Net Win under Compacts executed in 2003.

2004 Compacts or Compact Amendments

This publication does not address, and is not applicable to, accounting for Net Win under Compacts or Compact amendments executed in 2004.

Hereafter in this publication, the term "Compact" refers exclusively to any of the Compacts that were executed in 1999 that have not been subsequently amended to delete or change provisions of Compact section 5.0.

4. RESPONSIBILITIES OF TRIBES

Payment Schedule

Quarterly contributions and the required Quarterly Contribution Reports are due within thirty (30) days of the end of each calendar quarter as provided in Compact section 5.3(a). The following table lists the corresponding due date for each calendar quarter ending date:

Quarter Ending Date	Contribution and Report Due Date
March 31	April 30
June 30	July 30
September 30	October 30
December 31	January 30

Interest

Quarterly contribution payments submitted after the due dates are subject to interest of 1% per month or the maximum rate permitted by applicable state law, whichever is less, as provided in the Compact section 5.3 (b) and (d).

Delinquency

Compact section 5.3(e) provides that a Tribe shall not conduct Class III gaming if more than two quarterly contributions to the IGSDF are overdue.

5. QUARTERLY CONTRIBUTION REPORT COMPONENTS

Compact section 5.0 specifies the following components as required to be reported in the Quarterly Contribution Report that is submitted with each quarterly contribution paid to the IGSDF:

- Quarterly Device Base
- Net Win from all terminals in the Quarterly Device Base (broken down by Gaming Device)
- Average Device Net Win
- Certification by an authorized representative of the Tribe

To facilitate preparation of the Quarterly Contribution Report and calculation of the quarterly contribution amount, the Commission has made available optional forms that can be used as an aid. Submitting the Quarterly Contribution Report using the optional forms will help to ensure all necessary information required by the Compact has been reported. The optional forms can be found on the Commission's web site at <http://www.cgcc.ca.gov>.

6. ACCOUNTING STANDARDS

With respect to the gaming industry, the AICPA publication entitled ***AICPA Audit and Accounting Guide: Audits of***

Casinos (*AICPA Audit and Accounting Guide*) provides accounting guidance specific to the industry in preparation and audit of gaming operations' financial statements.

Hereafter in this publication, the term "AICPA Audit and Accounting Guide" refers to the AICPA Audit and Accounting Guide: Audits of Casinos.

The AICPA has also been instrumental in the development of a comprehensive body of literature that constitutes accounting principles generally accepted in the United States (Generally Accepted Accounting Principles, or GAAP).

In addition to conducting research and providing some GAAP sources itself, the AICPA has specified other organizations as the bodies designated to establish GAAP.

Authoritative Literature

GAAP are established by a number of authoritative sources promulgated by several different organizations, including the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), AICPA, and Securities and Exchange Commission (SEC).

In fact, the *AICPA Audit and Accounting Guides* are one of the authoritative sources of GAAP. Other authoritative sources of GAAP include FASB's Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board (APB) Opinions, and AICPA Accounting Research Bulletins.

GAAP Hierarchy

Statement of Auditing Standards No. 69 issued by the AICPA lists the sources of GAAP and specifies the order of authority of these sources.

For non-governmental entities, the hierarchy in the order of decreasing authority is as follows:

- a. Officially established accounting principles, consisting of FASB Statements of Financial Accounting Standards and Interpretations, APB Opinions, and AICPA Accounting Research Bulletins;
- b. FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position;
- c. AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins that have been cleared by the FASB and consensus positions of the FASB Emerging Issues Task Force (EITF); and
- d. AICPA accounting interpretations and implementation guides (Q's and A's) published by the FASB staff, and practices that are widely recognized and prevalent either generally or in the industry.

Authoritative sources required to be cleared by the FASB can be assumed to have been cleared unless the pronouncements indicate otherwise. Other accounting literature may be considered in the absence of any authoritative sources, depending on the relevance in the circumstances. For non-governmental entities, such literature includes FASB Statements of Financial Accounting Concepts, APB Statements, AICPA Issue Papers, International Accounting Standards of the International Accounting Standards Committee, GASB Statements, Interpretations, and Technical Bulletins, pronouncements of other professional associations or regulatory agencies, Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids, and accounting textbooks, handbooks, and articles.

For governmental entities, the hierarchy in the order of decreasing authority is as

follows:

- a. Officially established accounting principles, consisting of GASB Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements or Interpretations; GASB Statements and Interpretations are periodically incorporated in the Codification of Governmental Accounting and Financial Reporting Standards;
- b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides and AICPA Statement of Positions;
- c. AICPA AcSEC Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities; and
- d. Implementation guides (Q's and A's) published by the GASB staff, and practices that are widely recognized and prevalent either generally or in the industry.

Authoritative sources required to be cleared by the GASB can be assumed to have been cleared unless the pronouncements indicate otherwise. Other accounting literature may be considered in the absence of any authoritative sources, depending on the relevance in the circumstances. For governmental entities, such literature includes those listed above for non-governmental entities in addition to authoritative sources for non-governmental entities not specifically made applicable to state and local governmental entities either

by the GASB or by the organization issuing them.

GASB

Tribal gaming operations may be organized as enterprise funds and may be component units of governmental entities. These tribal gaming operations may follow one of two alternative GASB models to prepare their financial statements, as provided by the GASB Statements.

According to the GAAP hierarchy established by AICPA for governmental entities, FASB and AICPA guidance should still be followed in the absence of any applicable GASB standards.

Furthermore, although the financial statements of the tribal gaming operation in some instances may be prepared in accordance with the GASB's standards, the Compact provides that contribution into the IGSDF should be calculated based on Net Win as defined by the AICPA. Therefore, AICPA's guidance on Net Win should be applied in this context, notwithstanding GASB's pronouncements.

Accounting Method

Paragraph 2.02 of the *AICPA Audit and Accounting Guide* states that casino revenue is reported on the accrual basis.

Further, to be in conformity with GAAP, financial statements should be prepared, and revenue reported, on the accrual basis, unless otherwise provided.

The accrual basis of accounting calls for revenues to be reported in the period earned and expenses to be reported in the period incurred, as opposed to reporting transactions in the period when cash payments are received or disbursed on a cash basis.

7. REVENUE RECOGNITION

In the Glossary section (Appendix F) of the *AICPA Audit and Accounting Guide*, the term “gross gaming revenue (win)” is defined as “the net win from gaming activities, which is the difference between gaming wins and losses before deducting costs and expenses.”

According to correspondence received from a professor of accounting at the University of Nevada, Reno, Dr. John R. Mills, Ph.D., CPA, an expert on casino accounting, the definition in the *AICPA Audit and Accounting Guide* provides that Net Win as defined in Compact section 2.15 and gross gaming revenue and win are all synonymous, and therefore, precludes inclusion of any operating expenses in the calculation of Net Win. The concept of gross revenue and its recognition is addressed by various sources of GAAP.

8. NET WIN BASIC COMPONENTS

Paragraph 1.40 of the *AICPA Audit and Accounting Guide* states that win or loss is equal to the drop less the fills and less any hand-paid jackpots. This formula can be represented mathematically as:

Formula 1

$$\begin{aligned} &\text{Win (or loss)} \\ &= \text{Drop} - \text{Fills} - \text{Hand-Paid Jackpots} \end{aligned}$$

Each of the components in the formula is discussed below:

Drop

Drop is the actual count of the total amount of coins, tokens, and currency bills periodically collected from gaming devices.

Fills

From time to time, gaming device hoppers are emptied as the gaming devices are played and the coins in the hoppers are used to make payouts or exchanges. Fills are transactions in which coins or tokens are transferred from the bank or cage to the gaming devices to replenish the hoppers. Note, however, that fills in this formula do not include the initial hopper fill placed in the hopper when the gaming devices are first placed on the gaming floor.

Hand-Paid Jackpots

Jackpots of large amounts are paid manually and documented by hand-paid jackpot slips.

9. NET WIN INVOLVING CASHLESS TICKETS

For gaming devices that are configured to utilize cashless tickets, the win is computed as:

Formula 2

$$\begin{aligned} &\text{Win (or loss)} \\ &= \text{Drop (including tickets-in)} - \text{Fills} - \text{Hand-Paid Jackpots} - \text{Tickets Issued} \end{aligned}$$

Tickets Issued

Gaming operations utilizing cashless ticket systems (also referred to as ticket-in, ticket-out systems or TITO systems) have gaming devices specially equipped to issue, accept, track, and validate cashless tickets or vouchers with specific monetary values that are equivalent to cash at the respective gaming operation. At the time of cashing out from a gaming device, patrons can obtain a ticket or voucher in place of coins. In addition to the monetary value, the tickets

or vouchers contain bar codes or marks to allow for validation. The cashless ticket systems track each ticket or voucher when it is issued, redeemed, voided, or expired.

The value of all tickets issued by gaming devices for a given accounting period would be subtracted in the calculation of Net Win as shown in Formula 2.

Tickets-In

Cashless tickets or vouchers can be redeemed by inserting them in the currency acceptors of gaming devices that are able to recognize and validate the tickets. Tickets so redeemed are then accepted and stored in the currency acceptor canisters with currency bills. They are also collected during a soft drop along with currency bills.

When soft count is conducted, the tickets are sorted out by currency counters and the tickets are then counted by specialized machines that are able to recognize the tickets. The value of all the cashless tickets redeemed at the gaming devices and subsequently dropped and counted would be included as part of the drop.

Unredeemed tickets or vouchers may also be redeemed at the cage, redemption booths, or kiosks on the casino floor. However, the amount of tickets not redeemed at gaming devices would not affect the Net Win calculation. (See related discussion on Unredeemed Ticket Liability later.)

10. ADJUSTMENTS, DEDUCTIONS, AND OTHER ITEMS

In order to determine the Net Win, gross gaming revenue, or win amount on an accrual basis, various adjustments may need to be made depending on the nature of each casino operation and how the basic components of Net Win are captured and recorded in the casino's accounting and

financial reporting system.

Adjustments are needed to exclude non-revenue items (i.e. non-gaming wins or losses) captured as drop or hand-paid jackpots, and reported by the casino's slot accounting system. In addition, adjustments are needed to include revenue items not captured as drop or hand-paid jackpots, and not reported by the casino's slot accounting system in the relevant accounting period, including any revenue accruals.

Various potential adjustments and other cost and expense items are identified and discussed in detail below. This discussion is based on current AICPA guidance and GAAP sources as of the time of this publication's issuance. If there are any subsequent changes to the AICPA guidance or GAAP sources, the calculation of Net Win may also change.

In addition, there may be significant variations in how certain transactions are structured and how the accounting system of a gaming operation is established to capture these transactions. Depending on the practices of each individual gaming operation, the discussion below may or may not be applicable or may need to be modified. The specific circumstances would need to be carefully evaluated to determine the applicability of the discussion below.

Hopper Adjustment

When each gaming device that allows coins or tokens to be deposited is placed on the casino floor and made available for play, its hopper is usually filled with a certain amount of coins or tokens. This initial hopper fill is the casino's cash asset. The contents of a gaming device hopper fluctuate from time to time as the gaming device is being played. At the end of an accounting period, the amount of coins or tokens may exceed the level of initial fill. The excess represents an increase in Net Win. It is also possible that the gaming device has used part of the

initial fill, which is the casino's cash assets, to make payouts during the period. The amount below the initial fill represents a decrease in Net Win. To reflect these possibilities, the hopper content needs to be counted and an adjustment to increase or decrease revenue would be made at the end of the accounting period. If all of the hopper contents are not counted at the end of the accounting period, they would need to be reasonably estimated based on statistical sampling or some other acceptable method.

Proprietary (In-House) Progressive Jackpot Liability

Proprietary (in-house) progressive gaming devices have top jackpots that increase in amount over time as they are being played and maintained by a casino. An indicator called a progressive meter posts and updates the amount of the jackpot as the gaming devices are played. Frequently, one combined top progressive jackpot is offered for a group of several gaming devices. In this case, the top jackpot increases over time as any of the gaming devices in the group is played.

Proprietary progressive jackpots may become substantial amounts before finally being won by, and awarded to, casino patrons. The frequency of hitting such a jackpot may also be relatively low.

Paragraph 2.10 of the *AICPA Audit and Accounting Guide* provides that:

"Normally, progressive slot machines contain base jackpots that increase at a progressive rate based on the number of coins played. (For example, each time a one-dollar coin is played, the amount of the jackpot is increased by five cents.) The accrual of the liability and the reduction of revenue as the amount of the jackpot increases results in recognition of liabilities and matching of costs and revenues."

In keeping with this AICPA guidance, the

portion of the progressive jackpots attributable to the level of play during the current accounting period is recorded as a liability and charged to current period revenue.

The adjustment is made based upon the increase or decrease of progressive meter readings. It is equal to the difference between the progressive meter reading at the end of the previous reporting period and the progressive meter reading as of the end of the current reporting period. If the progressive liability amount increases over the previous period, the effect of the adjustment is to reduce the revenue for the current period. Conversely, if the progressive liability amount decreases over the previous period, the effect of the adjustment is to increase revenue for the current period.

Pro-rata Portion of Wide Area Progressive System Participation Fees

Similar to the proprietary (in-house) progressive gaming devices, the top jackpots for wide-area progressive gaming devices increment with the level of play. However, in the case of wide-area progressive gaming devices, a third-party vendor operates the system. The system spans multiple casinos. The top jackpots increment as each of the gaming devices in the system is played, regardless of the casino in which the gaming device is located. The third-party vendor leases the gaming devices that participate in the system to the casinos and administers the system. In return, the casinos make periodic payments to the third-party vendor. The vendor payments provide for the progressive jackpot, vendor overhead, and vendor profit. The casinos collect the bills and coins from these gaming devices as drop. When a progressive jackpot is won, the third-party vendor pays the jackpot from funds collected from the casinos.

The portion of the payments to the third-party vendor that is accumulated to fund

progressive jackpots can be viewed as gaming losses that normally reduce the Net Win. In order for a portion of the participation fee that is paid to be claimed as a deduction in the calculation of Net Win, the third-party vendor would need to inform the gaming operation in writing as to the specific amount of the participation fee payment that was set aside to fund the progressive jackpots. In no event can the entire payment to the wide-area progressive system vendor be deducted.

Participation Fees

Broadly, participation fees are any contractual payments made by casinos that are set at a minimum or maximum amount per day or are tied to the total coin-in, drop revenues generated by the gaming devices being operated, or other financial measures related to the operation of the gaming devices. An example of participation fees is the periodic payments casinos make to the third-party vendor of the wide-area progressive system discussed above. Participation fees can also be royalty payments, lease payments, or payments for other contractual arrangements.

Paragraph 2.11 of the *AICPA Audit and Accounting Guide* states that the participating fee is shown as an expense.

Non-Cash Prizes

Prizes such as cars, boats, jewelry, or other property may be offered as jackpots. After non-cash jackpot prizes are offered and won, they may already be recorded and included as hand-paid jackpots in the formula to calculate Net Win. Only in the event that they have not been included as hand-paid jackpots should adjustments be recorded for these prizes. However, for calculation of Net Win, the actual cost of the prizes should be used, not their fair market value.

Non-cash prizes that are given away to patrons that are not associated with a wager

should not be deducted from the calculation of Net Win. An example of this would be a prize given away through a drawing or raffle. These types of expenses should be considered marketing or promotional costs.

Unredeemed Ticket Liability

The value of cashless tickets or vouchers issued but not yet redeemed at the end of an accounting period should be recorded as a liability. However, when Formula 2 is used to compute and record revenues and Net Win, the unredeemed ticket liability would not affect revenues or Net Win and no adjustments would need to be made for unredeemed ticket liability.

If Formula 2 is not used, the gaming operation should maintain subsidiary records that support the accounting methodology being followed, after the appropriate adjustments are made, that yields results identical to that of using Formula 2 directly.

However, the value of tickets that are unredeemed but have expired should be added to the Net Win.

Slot Player Club Point Liability

Gaming operations may offer patrons an opportunity to join membership clubs or other similar customer loyalty programs. The gaming operation then utilizes a player tracking system to identify the play level of specific members and offer incentives based on the members' gaming activities. Points are earned based on the members' level of play, amount of winnings, or some other predetermined criteria or combination thereof. After accumulating a certain number of points, the members can choose to redeem the points for prizes, discounts at restaurants or gift shops, casino credit, or cash.

EITF 01-9: *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)* should

be consulted if the points can be redeemed for cash consideration because the points may be able to be accrued as a liability and offset with current revenues when earned. The amount of liability to accrue should be based on a reasonable estimation of the expected obligation and actual experience of redemption by players. When applying this guidance to Net Win accounting, only points earned by play on the gaming devices should be considered. Applicability of this guidance needs to be evaluated on a case-by-case basis, as it depends on the nature of each specific loyalty program and how it is structured and accounted for by a gaming operation.

Slot Tournament Entry Fees and Payouts

Slot tournaments are special events in which patrons either participate for free without paying any consideration or pay a fixed “entry fee” to participate in a competition with pre-determined rules. Participants may gain entry into a slot tournament in a variety of ways that is determined by the gaming facility management. The objective of the patron is to obtain the appropriate result in accordance with the rules of the competition and receive the associated awards. Slot tournaments are generally held for marketing and promotional purposes in an attempt to attract, develop, and maintain slot-playing patrons that will place wagers in the future.

Because of the marketing and promotional nature of the slot tournaments, the entry fee receipts may not be considered gross gaming revenues or Net Win and payouts and cost of prizes may not be deducted as a gaming loss. Note that this differs from the National Indian Gaming Commission’s position on this issue as addressed in its Bulletin No. 03-4.

Bonus and Double Jackpots

To encourage play, casinos may decide to offer additional jackpots or to add to certain

jackpots that can be won within a certain time period.

If not already included as hand-paid jackpots in the formula to calculate the win, deductions can be taken for these jackpots provided that they are legitimate prizes specified in the pay table and are supported by detailed records. Bonus and double jackpot type of programs should be documented and prepared in writing prior to the implementation and payment of any jackpots.

Complimentaries (Comps) and Promotional Allowances

The *AICPA Audit and Accounting Guide* paragraph 2.03 defines both complimentaries and promotional allowances as “goods and services, which would be accounted for as revenue if sold, that a casino gives to customers as an inducement to gamble at that establishment.” Further, it provides that “the cost of providing promotional allowances is included in costs and expenses.” This clearly indicates that the revenue, and thus Net Win, should not be reduced by costs of providing complimentaries.

Cash Giveaways and Other Incentives

To promote business, casinos sometimes give away free coins or credit to potential patrons. Or free coins may be given to potential patrons presenting coupons offering the incentives. Other similar incentives exist in a variety of forms to induce patrons to engage in play of gaming devices.

If the incentives involve cash consideration, EITF 01-9 provides that the cost of honoring the incentives may be characterized as a reduction of revenue. When applying this guidance to Net Win accounting, only incentives that are able to be tracked and applicable to play on the gaming devices should be considered.

Test Bills and Coins

Gaming device technicians may use currency bills and coins that are the casino's existing cash assets to test whether a gaming device is functioning properly. The currency bills and coins are subsequently included and counted as drop. Under this circumstance, this amount is not revenue and can be deducted if included in the drop. Such deductions would need to be supported by detailed records.

Weigh Variance

Gaming operations should make an effort to obtain as accurate a count of drop as possible. If the counted drop amount used to calculate the Net Win is not the most accurate count and weigh variance needs to be added or deducted to obtain the actual count, there should be support for the adjustments.

Bad Debt Write-Off

Uncollectible debts, whether or not related to operation of gaming devices, are operating expenses when written off. Consequently, revenues, and therefore Net Win, would not be affected by bad debt write-off.

Unclaimed Jackpots

For various reasons, winners of jackpots may not claim them. This can happen, for example, when the winner is unwilling to provide necessary identification to claim the jackpots. If the jackpots have been recognized and recorded previously, but have not been claimed within a reasonable period or prior to expiration, the unclaimed jackpots should be reversed.

Other Expenses

Operating expenses such as:

- Marketing expenses

- Promotional expenses
- Direct mail costs
- Patron busing costs
- Depreciation
- Rent
- Personnel costs, etc.

would not affect Net Win. By their nature, expenses are not considered part of revenues.

Allowable Adjustments

For adjustments and deductions to be allowable in the calculation of Net Win, they need to be supported by authoritative or other accounting sources that constitute GAAP. The list of adjustments and deductions discussed above is not exhaustive and should not be considered all-inclusive. As new forms of transactions emerge, there may be other adjustments and deductions to be considered which may be addressed by current or future GAAP sources. In addition, GAAP sources promulgated in the future may revise accounting treatment of certain items. To determine whether specific adjustments or deductions are allowable, please consult with accountants or advisors who are knowledgeable about GAAP and its application in accounting of gaming operations.

11. NET WIN AND FINANCIAL ACCOUNTING

Net Win accounting for the purpose of calculating contributions to the IGSDP generally follows the same principles as financial accounting for the purpose of preparing the financial statements in conformity with GAAP. Consequently, Net Win for any given period would be the same amount as slot department gross revenues reported on GAAP compliant financial statements, unless the financial statements are prepared following certain GASB

standards.

Due to the parallel between Net Win accounting and financial accounting, if there is any difference between the Net Win reported on the Quarterly Contribution Reports and revenue reported or included on the financial statements prepared in conformity with GAAP, or if there is any departure from GAAP, the gaming operation should be prepared to justify the discrepancy or departure.

12. SUMMARY AND ILLUSTRATIONS

The table below provides a summary and illustrations of various items discussed above:

Description	Treatment		Example
	Increase the Net Win	Decrease the Net Win	
1. Hopper adjustments (see page 6)	When hopper count exceeds initial hopper load, increase the Net Win by the difference.	When hopper count is lower than initial hopper load, decrease the Net Win by the difference.	The hopper count at the end of the current period indicates that there are coins and tokens worth \$69,282 in the hoppers of all gaming devices on the casino floor at the end of the current period. Total initial hopper loads recorded amount to \$70,687. Increase the Net Win by \$1,405.
2. Proprietary (in-house) progressive jackpot liability (see page 7)	If the progressive meter amount as of the end of the current period decreases over that at the end of the previous period, increase the Net Win by the difference.	If the progressive meter amount as of the end of the current period increases over that at the end of the previous period, reduce the Net Win by the difference.	The readings of progressive meters of all proprietary progressive gaming devices sum up to \$6,346,250 at the end of the current period. The readings at the end of the previous period sum up to \$6,420,384. Record additional Net Win of \$74,134.
3. Pro-rata portion of wide-area progressive system participation fees (see page 7)	No effect.	If the system vendor notifies the gaming operation of the portion of payments used to fund the progressive jackpots, reduce the Net Win by the amount.	The gaming operation receives a statement from the system vendor that \$5,735 of \$97,824 total payment for the current period is used to fund the progressive jackpots. Reduce the Net Win by \$5,735.
4. Participation fees (see page 8)	No effect.	No effect.	

Description	Treatment		Example
	Increase the Net Win	Decrease the Net Win	
5. Non-cash prizes (see page 8)	No effect.	If the cost of the non-cash prizes is not already included in jackpots, decrease the Net Win by the cost. Otherwise, no effect.	During the current period, non-cash prizes related to a wager were awarded. The prizes have a combined cost of \$105,343 to the casino. This cost figure may already have been included in the total jackpots for the period. If so, no further adjustment is needed. If not, reduce Net Win by the amount of the cost. In no case should the fair value of the prizes be used.
6. Unredeemed ticket liability (see page 8)	No effect, unless Formula 2 is not used, in which case the adjusted Net Win should be identical to the result of using Formula 2.	No effect, unless Formula 2 is not used, in which case the adjusted Net Win should be identical to the result of using Formula 2.	
7. Slot player club point liability (see page 8)	No effect.	Varies depending on the casino's slot player club program. Refer to EITF 01-9.	
8. Slot tournament entry fees and payouts (see page 9)	No effect.	No effect.	
9. Bonus and double jackpots (see page 9)	No effect.	If not already included in jackpots, reduce Net Win by the amount of bonus and double jackpots.	During the current period, the casino awarded \$82,964 in bonus and double jackpots that are legitimate prizes specified on the pay table and are supported by detailed records. Reduce the Net Win for the current period by \$82,964.

Description	Treatment		Example
	Increase the Net Win	Decrease the Net Win	
10. Complimentaries (comps) and promotional allowances (see page 9)	No effect.	No effect.	
11. Cash giveaways and other incentives (see page 9)	No effect.	If the incentives involve cash consideration, reduce the Net Win by the amount of the cash consideration.	During the current period, the casino provided, and tracked in detail, incentives such as free coins and coupons for free credits, products, and services totaling \$9,735 in value. Of these, \$6,523 involves cash consideration and the rest consists of free products or services. Reduce the Net Win of the current period by \$6,523.
12. Test bills and coins (see page 10)	No effect.	The value of test bills and coins used during the current period reduces the Net Win.	During the current period, the casino's slot technicians used \$625 in bills and coins of the casino's own cash assets to test whether gaming devices are functioning properly. These test bills and coins are later collected and included in the drop during the current period. An adjustment can be made to reduce Net Win by \$625.
13. Weigh variance (see page 10)	If the actual count is not used to calculate the Net Win, weigh variance resulting in higher actual count increases the Net Win.	If the actual count is not used to calculate the Net Win, weigh variance resulting in lower actual count reduces the Net Win.	During the current period, a total of \$54 is recorded as weigh variance, which is not considered when calculating the Net Win. Increase the Net Win by \$54.
14. Bad debt write-off (see page 10)	No effect.	No effect.	

Description	Treatment		Example
	Increase the Net Win	Decrease the Net Win	
15. Unclaimed jackpots (see page 10)	Increase the Net Win if jackpots previously recorded are not claimed within a reasonable period or tickets expires.	No effect.	

ADDITIONAL COMMENT AND INPUT

The California Gambling Control Commission strives to maintain current information. As GAAP, accounting standards, and financial reporting requirements change that affect casino accounting and Net Win the Commission will update this publication. If you would like to provide any comment or additional input on any information covered in this publication, or any related topics not addressed, please provide your written comments to the Commission at:

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